Brandes International Small Cap Equity Fund

FUND INFORMATION

Class I:	BISMX
Class A:	BISAX
Class C:	BINCX
Class R6:	BISRX

STRATEGY

The Fund seeks long-term capital appreciation by investing in equity securities of non-U.S. issuers it believes are undervalued relative to their financial strength and upside potential.

TOP TEN HOLDINGS

(% of assets as of 3/31/2024)

Embraer SA	5.54
Rolls-Royce Holdings PLC	3.32
PAX Global Technology Ltd	3.07
C&C Group PLC	2.90
Yue Yuen Industrial Holdings Ltd	2.72
AIB Group PLC	2.66
J Sainsbury PLC	2.61
Millicom International Cellular SA	2.49
Draegerwerk AG & Co KGaA	2.46
Greencore Group PLC	2.36

Fund holdings are subject to change at any time at the discretion of the investment manager.

The Brandes International Small Cap Equity Fund returned 8.73% (Class I Shares), outperforming its benchmark, the MSCI ACWI ex-USA Small Cap Index, which gained 2.11% in the quarter, and the MSCI ACWI ex-USA Small Cap Value Index, which was up 2.40%.

Positive Contributors

Holdings in industrials and communications services helped returns. Among the top performers were aerospace and defense companies Rolls-Royce (U.K.) and Embraer (Brazil), as well as Chinese entertainment firm Boyaa Interactive and Hungary-based Magyar Telekom.

The Fund’s aerospace and defense holdings, including Rolls-Royce and Embraer, continued to benefit from the ongoing recovery in passenger air travel that has led to solid revenue growth, expanding profit margins, healthier cash-flow generation, and healed balance sheets. These positive fundamental developments helped confirm our long-term thesis around franchise quality, balance sheet durability, and end-market recovery potential for these holdings. Moreover, record backlogs highlighted—in our view—the appealing long-term secular growth outlook for global passenger air travel in an industry that has historically allowed incumbents to generate attractive returns on capital. Consequently, we revised our intrinsic value estimates for several of our aerospace and defense holdings upward, and believe they continue to offer an attractive risk/reward tradeoff at current valuation levels.

Magyar Telekom appreciated as inflation and geopolitical concerns in Hungary eased. The company recently announced a 15% price increase, which should translate into meaningful revenue growth and potential margin expansion.

Our financials holdings also aided returns, led by Ireland’s AIB Group, Slovenian Nova Ljubljanska banka, Austria-based Addiko Bank, and Japanese Hachijuni Bank.

Additional solid contributors included Hong Kong-based shoe manufacturer Yue Yuen Industrial and food products company First Pacific, as well as Ireland-based convenience foods producer Greencore Group.

Performance Detractors

Significant detractors included several health care holdings such as Spain’s Grifols, France-based Euroapi, and Japanese H.U. Group Holdings.

Biotechnology firm Grifols grappled with multiple declines in its share price following a short seller’s report that questioned the company's debt and corporate governance practices. In our opinion, the risks highlighted in the report had been largely known, and we maintained the Fund’s position in the company despite the volatility—albeit now at a lower weighting due to the share-price decline. While we have long been concerned with the company’s elevated financial leverage, we recognize that Grifols has several options at its disposal that can help derisk, including the partial sale of its stake in Shanghai RAAS that is scheduled to close in the first half of this year.

We continue to believe there is potentially meaningful upside in the stock and we are managing the elevated balance sheet risk through allocation sizing. Grifols' plasma business weathered considerable challenges amid the COVID-19 pandemic, including decreased blood donations and higher costs associated with compensating donors. Today, blood donation volumes are running above pre-COVID levels and collection costs are declining as the pandemic-related supply challenges fade. Admittedly, the free-cash-flow recovery has been slower than anticipated as Grifols has been making substantial investments to expand capacity for future growth. While these investments have weighed on short-term profitability and cash flow, we believe they should be beneficial for the company in the long term as the industry transitions back to the pre-COVID growth trajectory. Furthermore, we appreciate Grifols' competitive position in a consolidated industry with high barriers to entry and long-term secular growth, as well as its business model that should allow it to generate steady free cash flow if the industry returns to equilibrium. Trading at a single-digit multiple of pre-COVID earnings, Grifols appears attractively valued to us.

Beyond health care, other detractors included U.K.-based food retailer J Sainsbury and capital markets company St. James Place.

Select Activity in the Quarter

The small-cap investment committee initiated a position in Canada-based CAE.

CAE supplies simulation equipment and integrated pilot training services to both civil aviation and military customers. Competing in a market dominated by two key players (the other being Flight Safety), CAE boasts the world's largest installed base of full-flight simulators. Over the past 20 years, CAE has diversified into the less cyclical pilot training business, offering training services through a global network of over 250 civil aviation and military training locations across 40 countries. The company derives 40% of its revenues from simulation products and 60% from training and services.

Our coverage of CAE began in 2011, and since then, our assessment of the company's core franchise quality remains unchanged. With its dominant position in flight simulation and pilot training, CAE has historically generated solid free cash flow and healthy returns on invested capital. The company also benefits from its access to attractive financing sources in the form of perpetual zero-cost loans from the Canadian government for research and development initiatives.

It is notable that during the COVID-19 pandemic, CAE took significant steps to strengthen its competitive position and improve industry structure. Firstly, the company leveraged its financial strength to complete a series of opportunistic acquisitions, purchasing nine companies at what we deemed depressed prices. This has helped CAE consolidate end-markets and expand capabilities. Secondly, it restructured its cost base, closing nine plants and removing $70m in annualized costs that resulted in a 1.5% margin benefit on sales. Lastly, CAE expanded its relationship with mainline airlines, which chose to outsource an increasing share of their internal training needs. To satisfy this new demand, CAE embarked on a heavy capital expenditure cycle over the course of the pandemic that we believe will benefit shareholders in the years ahead.

The opportunity to initiate a position in CAE came as investors have been concerned about recent margin weakness within the defense segment. However, we view these challenges as temporary. Inflation and supply chain pressures have started to ease, and CAE's under-earning, fixed-price contracts are set to expire by 2025. We expect that CAE is positioned to improve its profitability as legacy fixed priced contracts roll over and as new high-margin defense contracts begin to ramp up. Based on the company's guidance, new contracts should earn mid-double-digit margins, compared to the mid-single-digit margins on the legacy fixed-price contracts that were impacted by the pandemic-related cost pressures. At its current valuation levels, CAE represents an appealing risk/reward tradeoff, in our opinion.

Besides the new purchase of CAE, other major portfolio activity included the full sales of Israel-based Taro Pharmaceutical Industries, and Japanese medical device company Fukuda Denshi.

Current Positioning

Allocations from a country and sector standpoint were largely unchanged during the quarter. The Fund maintains large allocations to industrials, consumer staples, health care, and financials, while holding underweights in technology, materials, and consumer discretionary.

Geographically, the Fund continues to have significant exposure to companies in Japan (although underweight relative to the benchmark), the U.K., Ireland, Hong Kong, and emerging markets. It remains underweight Australia and Sweeden relative to the benchmark.

As was the case in 2023, while value leadership (MSCI ACWI ex-USA Small Cap Value vs. MSCI ACWI ex-USA Small Cap) provided a tailwind for the Fund in the quarter, it was our stock selection across sectors and countries that primarily drove outperformance. Going forward, we remain optimistic about the Fund's holdings composition and the risk/reward tradeoff it offers.

Average Annual Total Returns (%) as of March 31, 2024							
Without Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 8/20/1996[1]
Class I	8.73	8.73	33.28	13.46	12.25	5.92	9.34
Class A	8.66	8.66	33.07	13.22	12.02	5.70	9.08
Class C	8.48	8.48	32.09	12.61	11.33	5.13	--
Class R6	8.74	8.74	33.47	13.61	12.39	6.03	9.41
With Load	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception 8/20/1996[1]
Class A	2.41	2.41	25.42	11.01	10.70	5.08	8.85
Class C	7.48	7.48	31.09	12.61	11.33	5.13	--
MSCI ACWI ex USA Small Cap Index	2.11	2.11	12.80	0.38	6.24	4.74	6.50
MSCI ACWI ex USA Small Cap Value Index	2.40	2.40	15.65	3.21	6.46	4.53	7.24

Operating Expenses: Class I: 1.17% (gross), 1.16% (net) Class A: 1.37% (gross), 1.37% (net) Class C: 2.12% (gross), 2.12% (net) Class R6: 1.12% (gross), 1.01% (net)

*Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. All performance is historical and includes reinvestment of dividends and capital gains. Performance data current to the most recent month end may be obtained by calling 1.800.395.3807. Performance data shown with load reflects the Class A maximum sales charge of **5.75%.** Performance shown without load does not reflect the deduction of the sales load. If reflected, the load would reduce the performance quoted.*

[1]Indicates performance of the S&P Developed Ex U.S. SmallCap Index, the fund's previous benchmark, and the S&P Developed Ex U.S. SmallCap Value Index, from inception through 5/31/2007, and the performance of MSCI ACWI ex USA Small Cap and MSCI ACWI ex USA Small Cap Value from 6/01/2007 to present.

Prior to February 1, 2012, the Fund was a private investment fund managed by the Advisor with policies, guidelines and restrictions that were, in all material respects, equivalent to those of the Fund. Class A and Class I shares commenced operations on February 1, 2012, while Class C shares commenced operations on January 31, 2013. Prior to January 31, 2013, Class A shares were known as Class S shares. (Class A shares have the same operating expenses as Class S shares.) The Class I performance information shown for periods prior to February 1, 2012 for the Class A shares reflects the performance of the private investment fund shares adjusted to reflect Class A expenses. Performance shown prior to the inception of Class C shares reflects the performance of the private investment fund for periods prior to February 1, 2012 and the performance of Class I shares for the period from February 1, 2012 to January 30, 2013 restated to reflect Class C expenses. The Class C shares' average annual total return for the 10-year period assumes that Class C shares automatically converted to Class A shares 8 years after the start of the period. The Class C shares' average annual total return for the since inception period cannot be calculated as the Class A shares had not been launched as of 8/19/2004, 8 years after the inception date of the Brandes International Small Cap Equity Fund. Class R6 shares commenced operations on June 27, 2016. Performance shown prior to the inception of Class R6 shares reflects the performance of Class I shares.

The Advisor has contractually agreed to limit the operating expenses through January 28, 2025. The Expense Caps may be terminated at any time by the Board of Trustees upon 60 days notice to the Advisor, or by the Advisor with the consent of the Board. Investment performance reflects fee waivers and/or reimbursement of expenses. In the absence of such waivers/reimbursements, total return would be reduced.

For term definitions: https://www.brandes.com/termdefinitions

The MSCI ACWI ex USA Small Cap Index with net dividends captures small-cap representation across developed and emerging markets excluding the United States.

The MSCI ACWI ex USA Small Cap Value Index captures small-cap securities across developed and emerging markets excluding the United States, exhibiting overall value style characteristics, defined using book value to price, 12-month forward earnings to price, and dividend yield.

The S&P Developed Ex U.S. SmallCap Index with net dividends measures the equity performance of small cap companies in developed markets excluding the United States. Data prior to 2001 is gross dividend and linked to the net dividend returns.

The S&P Developed Ex U.S. SmallCap Value Index with net dividends measures the equity performance of small cap companies in developed markets excluding the United States, which are classified as value stocks by book value-to-price, sales-to-price, cash flow-to-price, and dividend yield.

Because the values of the Fund's investments will fluctuate with market conditions, so will the value of your investment in the Fund. You could lose money on your investment in the Fund, or the Fund could underperform other investments. The values of the Fund's investments fluctuate in response to the activities of individual companies and general stock market and economic conditions. In addition, the performance of foreign securities depends on the political and economic environments and other overall economic conditions in the countries where the Fund invests. Emerging country markets involve greater risk and volatility than more developed markets. Some emerging markets countries may have fixed or managed currencies that are not free-floating against the U.S. dollar. Certain of these currencies have experienced, and may experience in the future, substantial fluctuations or a steady devaluation relative to the U.S. dollar. Investments in small and medium capitalization companies tend to have limited liquidity and greater price volatility than large capitalization companies.

A mutual fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectuses contain this and other important information about the investment company, and may be obtained by calling 1.800.395.3807 or visiting www.brandes.com/funds. Read carefully before investing.

The foregoing reflects the thoughts and opinions of Brandes Investment Partners® exclusively and is subject to change without notice.

The Brandes International Small Cap Equity Fund is distributed by ALPS Distributors, Inc.

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